

Contracted Services

Grand Blanc Community Schools

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Idea began with Strategic Plan

- Strategy 12 Plan 10 (April 1994)
- Charges administrators with investigating privatization in all operational areas
- Services must be equal to or superior in quality to those provided with district employees
- Cost to the district must be reduced or equal after privatization

July 1996

- Board of Education approved contracting custodial services in one elementary school as a cost reduction measure
- Afternoon shift only – to minimize student contact
- Board required single subscription insurance be provided
- Flat fee paid to contractor

Contracted Staff

- Draw from local applicant pool
- Every contracted staff member is subject to a criminal background check
- Low turnover in contracted staff
- Custodial audit data shows high level of service
- Contracted staff work side by side with staff on district payroll
- If a contracted staff member does not meet district expectations, the contracting company provides another worker

How does contracting work?

- Contracted wages reflect market or near-market rates
- Also reflect market employee benefit levels
- Hourly rate plus markup
- Markup includes employer costs plus a small profit
 - Employer Social Security contributions
 - Unemployment taxes (SUTA, FUTA)
 - Worker's compensation insurance
 - Single subscription health insurance if applicable
 - Vacation, sick, and holiday pay
 - Administrative burden of managing human resources

Transfer of Employer Risk

- Districts are self-insured for unemployment benefits paid to laid off workers
 - In times of budget reductions, contracting service bears the risk
- Contracting company bears the worker's compensation risk

- Markup rates range from 17% (sub teachers) to 38% (custodians)
- Markup rates reflect worker's compensation rates based on employee risk category
 - Teachers, clerical, and others lower risk/lower rate
 - Custodial & transportation higher risk/higher rate
- Custodial rate includes employee training and regional supervision

Lower Administrative Burden

- District employees
 - Recruitment and hiring administration
 - Calculate and process payroll & related taxes
 - Administer paid time off and longevity
 - Administer employee insurances (life, LTD, health, vision, dental)
 - Worker's compensation/unemployment claims
- Contracted employees
 - Reconcile and pay vendor invoice

District Payroll Costs

Expense	Rate	Example
Wages		\$ 10.00
Retirement*	20.66%/19.16%	2.066
FICA	7.65%	.765
Worker's compensation	Varies with job description	.406
Cost before insurance benefits		\$ 13.24

*Rate increases to 24.46%/23.23% in 2011-12

Savings - Custodial

	GB Payroll	Contracted
Annual Wage	\$ 37,430	\$ 19,032
Retirement	7,733	0
FICA	2,863	0
Life	48	0
LTD	104	0
Health	12,659	3,402
Dental	659	0
Vision	159	0
Worker's comp	1,520	0
Markup	0	7,232
Total	\$ 63,175	\$ 29,666
Savings per custodian		\$ 33,499

Savings - Substitute Teachers

	GB Payroll	Contracted
Daily Rate	\$ 78.00	\$ 78.00
Retirement	16.11	
FICA	5.97	
Worker's compensation	.19	
Markup	0	13.18
Total	\$ 100.27	\$ 91.18
Savings per sub		\$ 9.09

July 2010

- Custodial
- Clerical
- Crossing guards
- Noon hour supervisors
- Hall monitors
- Administrators (Principals, Food Service, Directors)
- Police liaisons
- Substitute
 - Teachers
 - Bus drivers
 - Instructional assistants

Savings – All Classifications

2010-11	
Custodial	\$ 1,977,000
All other groups	235,000
Total annual savings	\$ 2,212,000

Questions


